

AR44

FOR INFORMATION ONLY

**DELNITE MINES,
LIMITED**

Reports

For the Ten Months Period Ended October 31st, 1964

Delnite Mines, Limited

Incorporated under the Laws of the Province of Ontario

AUTHORIZED CAPITAL \$2,400,000

OFFICERS

WELLES V. MOOT, *President and Managing Director* - - - - - BUFFALO, N.Y.
KENNETH C. GRAY, *Vice-President* - - - - - TORONTO, ONT.
WHITWORTH FERGUSON, *Vice-President* - - - - - BUFFALO, N.Y.
WILLIAM S. WALTON, *Secretary-Treasurer* - - - - - TORONTO, ONT.
GEORGE A. VARY, *Vice-President and General Manager*- TIMMINS, P.O., ONT.

DIRECTORS

WELLES V. MOOT - - - - - BUFFALO, N.Y.
KENNETH C. GRAY - - - - - TORONTO, ONT.
WHITWORTH FERGUSON - - - - - BUFFALO, N.Y.
WILLIAM L. MARCY - - - - - BUFFALO, N.Y.
WILLIAM S. WALTON - - - - - TORONTO, ONT.
ALEX F. OSBORN - - - - - BUFFALO, N.Y.
FREDERICK R. BURTON - - - - - TORONTO, ONT.

TRANSFER AGENTS

EASTERN & CHARTERED TRUST COMPANY
Toronto, Ontario

MANUFACTURERS AND TRADERS TRUST COMPANY
Buffalo, N.Y.

HEAD OFFICE

(on Mine property, Deloro Township)
TIMMINS, P.O., ONT.

AUDITORS

McDONALD, CURRIE & Co.
Chartered Accountants
Toronto, Ontario

GENERAL COUNSEL AND SOLICITORS

HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON & PEPALL
Toronto, Ontario

GENERAL MEETING

DECEMBER 29, 1964, 12 O'CLOCK NOON (TORONTO TIME)
SASKATCHEWAN ROOM, ROYAL YORK HOTEL, TORONTO, ONTARIO

Report of the Directors

On repeated occasions during the last two years you have been informed that the ore would probably be exhausted and the mine closed down during the summer of 1964. On August 12th, 1964, the last ore was hoisted, and mine operations terminated September 3rd. Accordingly, at their meeting December 1st, the Directors resolved that the assets of the Company be converted into cash and, after providing for expenses and liabilities, that the remaining assets be distributed rateably amongst the shareholders and warrant holders and the Charter surrendered. Following confirmation by shareholders at the meeting called for December 29th, 1964, it is expected that an initial interim distribution of approximately 40¢ per share (Canadian funds) will be made early in February, 1965, to shareholders of record at an earlier date to be fixed by the directors. After December 29th, you will be advised as to the date of record and the date of payment and our plans to pay shareholders with Canadian addresses in Canadian funds and all others in the U.S. equivalent thereof, unless otherwise requested in either case. Instructions will also be given then for the surrender of share certificates and share warrants in order to receive this distribution. This will result in delisting of the Company's shares from the Toronto Stock Exchange several days prior to such record date.

We wish to remind you that Delnite previously reduced its capital by reducing the par value of its shares from \$1.00 to 80¢ each, and made a capital distribution to shareholders of record at the close of business July 13th, 1960, of 20¢ per share, (Canadian funds), being 15¢ in stock of Alminex Limited and 5¢ in cash. Accordingly, for 100 shares of Delnite this amounted to the following:

10 shares of Alminex Limited at a per share valuation of \$1.50, which was the shareholder's cost for capital gain or loss purposes	\$ 15.00
Balance in cash — 5¢ per share	5.00
	<hr/>
TOTAL	\$ 20.00
	(Canadian funds)

Many of the present shareholders of the Company became shareholders as of July 15th, 1960, by virtue of the distribution by Sylvanite Gold Mines, Limited of the Delnite shares which it held, among Sylvanite shareholders of record at the close of business July 15th, 1960. These shareholders did not receive and were not entitled to receive Delnite's first capital distribution, above described.

It is interesting to note, from the Toronto Stock Exchange records, that the market price of Alminex on July 15th, 1960, was \$1.50 per share, and the market price today is about \$4.00, and that the market price of Delnite on July 15th, 1960, was about 30¢ per share. It is now estimated that the total additional sum per share to be paid in distribution on liquidation will amount to approximately 90¢ per share (including the said initial interim distribution) or about three times the market value of Delnite July 15th, 1960.

We are advised that all distributions will be regarded as return of capital and not taxable as income either in Canada (on the basis of the Company having no undistributed income on hand) or in the United States.

Report of the Directors continued

The period from January 1st, 1964, to shut down was a most difficult operating period because of the limited amount and grade of ore available, the limited number of working places and the necessity of maintaining tonnage in order to maintain profits. We take this occasion to compliment Mr. George A. Vary, Vice-President and General Manager, and his staff for their very fine achievement in handling mining operations in this period so expertly that a substantial profit from operations was achieved, as shown by the financial statement. Also, with Mr. Vary's assistance, a unique record has been made in liquidating the Company's buildings and equipment. The sale to Aunor Gold Mines Limited of various items of mining shafts, cross cuts, buildings, machinery and equipment, previously contracted for as reported to you, was completed and payment therefore received, and before the end of the year all buildings and equipment — except needed space for storage of records — will be sold. Accordingly, there is not a great deal remaining to be liquidated. Conversion of practically all of the physical assets of the Company on such advantageous terms and in so short a period is, we believe, an exceptional record, and this was due in no small part to the able and diligent efforts of Mr. Vary.

Problems remain with regard to the final adjustment and auditing of taxes and Emergency Gold Mining Assistance with the government authorities and some items of continuing expense in connection with the wind up of the Company's affairs and the surrender of the Charter, but we believe that these should not seriously reduce the suggested 90¢ per share distribution to shareholders.

The report of the General Manager and the Financial Statement with Auditors' Report thereon for the ten months ended October 31st, 1964, are appended. Notice of the General Meeting of Shareholders to be held December 29th, 1964, and Proxy form are enclosed.

On behalf of the Board,

“WELLES V. MOOT”

President and Managing Director.

DATED: December 2, 1964.

General Manager's Report

December 2, 1964.

The President and Directors,
Delnite Mines, Limited.

Dear Sirs:

The following report on the Operation at the Mine from January 1, 1964 to October 31, 1964, is submitted:

DEVELOPMENT:

There was no lateral development work and no diamond drilling done this year. A limited amount of sub-drifting and raising was done to extend and facilitate the mining of the remaining ore.

MINE:

The mine operated for a little over seven months at full capacity and produced 110,277 tons of ore at 5.76 dwt. (0.288 ounces). The last ore was hoisted on August 12, 1964 and the primary ball mill shut down on August 15, 1964.

The last full bar No. 1193 was poured on September 1, 1964 and a gold button No. 1194 was poured on September 2, 1964.

ORE RESERVES:

It is our estimate that there are 5,735 tons at 5.26 dwt. (0.263 ounces), left in place. This rock could not be mined at a rate to make its removal economically feasible.

It is also our estimate that, including the above tons, there are 109,032 tons of 4.77 dwt. (0.239 ounces) rock scattered throughout the mine in backs of stopes, sills and short drift blocks that might be extracted at a profit if there ever was a substantial improvement in the economic conditions of the Gold Mining Industry in Canada.

A complete record of these reserves will be preserved.

GENERAL:

I am pleased to report that the Delnite employees were steady and loyal to the finish and most were successful in obtaining new employment in the area.

I wish to take this opportunity to express my appreciation for your guidance and co-operation and to thank the supervisors and their staffs for their endeavour and loyalty.

Respectfully submitted

"G. A. VARY"

Vice-President and General Manager.

Balance Sheet as at

ASSETS

CURRENT ASSETS:

Cash (Note 1)	\$ 445,510	
Short-term investments — at cost	949,006	
Marketable bonds and shares — at cost (quoted market value \$1,360,464 — Note 1)	1,303,723	
Accounts and interest receivable	19,824	
Receivable under the Emergency Gold Mining Assistance Act	120,715	
Prepaid insurance and other expenses	3,225	2,842,003

FIXED ASSETS:

Buildings and equipment — at cost	74,836	
Accumulated depreciation	64,499	
	10,337	
Mining properties — at estimated realizable value	5,000	15,337

OTHER ASSETS:

Outside exploration costs and shares of mining companies — at nominal value		2
--	--	---

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

\$2,857,342

AUDITORS' REPORT

We have examined the balance sheet of Delnite Mines, Limited as at October 31, 1964 and the statements of profit and loss and earned surplus for the ten months ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

November 30, 1964.

October 31, 1964

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 51,119	
Provision for Ontario mining tax	38,000	89,119
		<hr/>

CAPITAL STOCK AND SURPLUS:

Capital stock —

Authorized —

3,000,000 shares of a par value of \$.80 each \$2,400,000

Issued and fully paid —

2,978,767 shares 2,383,013

Discount thereon (Net) 1,151,956

1,231,057

Earned surplus 1,537,166 2,768,223

Approved on behalf of the Board:

“K. C. GRAY” Director.

“W. S. WALTON” Director.

\$2,857,342

TO THE SHAREHOLDERS

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of the company as at October 31, 1964 and the results of its operations for the ten months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants.

Statement of Earned Surplus

FOR THE TEN MONTHS ENDED OCTOBER 31, 1964

BALANCE — DECEMBER 31, 1963		\$1,386,521
ADD:		
Net profit for the ten months	98,242	
Profit on disposal of investments	68,747	
Profit on disposal of fixed assets	378,656	545,645
		<u>1,932,166</u>
LESS:		
Write-down of mining property		395,000
BALANCE — OCTOBER 31, 1964		<u>\$1,537,166</u>

Statement of Profit and Loss

FOR THE TEN MONTHS ENDED OCTOBER 31, 1964

BULLION PRODUCTION		\$1,087,043
EXPENDITURE:		
Development, mining, milling, marketing, maintenance, general and administrative (including directors' fees \$4,167)	1,244,345	
Depreciation of buildings, plant and equipment	755	
Shaft sinking and development costs written off	26,125	
	1,271,225	
LESS: Estimated amount recoverable under the Emergency Gold Mining Assistance Act	290,000	981,225
PROFIT BEFORE THE FOLLOWING ITEMS		105,818
OUTSIDE MINING EXPLORATION COSTS WRITTEN OFF		57
		<u>105,761</u>
OTHER INCOME:		
Interest and dividends		29,585
		<u>135,346</u>
PROVISION FOR ONTARIO MINING TAX (Note 2)		37,104
NET PROFIT FOR THE TEN MONTHS		<u>\$ 98,242</u>

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

Notes to Financial Statements

OCTOBER 31, 1964

1. Balances in U.S. currency have been converted to Canadian currency at the rate prevailing on October 31, 1964.
2. Because of exemptions and deductions permitted for tax purposes, it is estimated that there is no liability for income taxes for the ten months, except for Ontario mining tax.
3. The company ceased mining and milling operations in September 1964.